

January 6, 1999

D.T.E. 98-123

Request for Department approval of rate adjustments pursuant to the existing tariffs of  
Massachusetts Electric Company and Nantucket Electric Company

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## ORDER ON PROPOSED RATE ADJUSTMENTS

### I. INTRODUCTION

On December 1, 1998, pursuant to the terms of the restructuring settlement approved by the Department of Telecommunications and Energy ("Department") in Massachusetts Electric Company and Nantucket Electric Company, D.P.U./D.T.E. 96-25 (1997), Massachusetts Electric Company ("MECo") and Nantucket Electric Company ("Nantucket" together "Companies") filed testimony and documentation supporting a series of rate adjustments to the Companies' existing tariffs. The proposed adjustments (1) increase the Companies' prices for standard offer service and default service from \$0.032 per kilowatthour ("kWh") to \$0.035 per kWh (plus a standard offer service adjustment factor of \$0.00207 per kWh),<sup>(1)</sup> (2) decrease the transition charge from \$0.01407 per kWh to \$0.01328 per kWh, (3) implement demand-side management ("DSM") and renewable energy charges pursuant to G.L. c. 25 §§ 19 and 20, and (4) provide for a transmission service adjustment factor that changes from \$0.00404 per kWh to \$0.00641 per kWh. The Department has docketed this matter as D.T.E. 98-123.

The Department requested comments on the Companies' filing, and conducted a technical session on the filing on December 21, 1998.<sup>(2)</sup> Comments were submitted by the Office of the Attorney General ("Attorney General") and the Massachusetts Division of Energy Resources ("DOER").<sup>(3)</sup>

### II. COMMENTS

The Attorney General states that, while maintaining the distribution rates at the current level, the net result of the other adjustments, including an adjustment for the underrecovery of standard offer service costs, is an increase for ratepayers (Attorney General Comments at 2). The Attorney General contends that the Companies' filing represents a general increase in rates which necessitates a formal investigation by the

Department (id.). The Attorney General requests a public hearing process which includes discovery, evidentiary hearings, and briefs (id. at 1-2). The DOER submitted comments which address the level of the standard offer service charge and the procedural format of the proceeding (DOER Comments at 1). The DOER contends that the reconciliation of the fuel charge should be separate from the reconciliation of the standard offer service charges (id. at 2). The DOER supports the Attorney General's request for a public hearing, and a procedural schedule that includes discovery and evidentiary hearings (id.).

### III. ANALYSIS AND FINDINGS

#### A. Increases in Standard Offer Service and Default Service Prices

The Companies' have proposed an increase in the prices for both standard offer service and default service from \$0.032 per kWh to \$0.035 per kWh. In D.P.U./D.T.E. 96-25, the Department approved a standard offer service rate schedule that includes the proposed increases. The Companies proposed increase in the standard offer service rate is consistent with the settlement agreement previously approved by the Department in D.T.E./D.P.U. 96-25, and is allowed. The Companies have also proposed a standard offer service adjustment factor of \$0.00207 per kWh. In D.P.U./D.T.E. 96-25, the Department approved a standard offer service cost adjustment provision to reconcile revenues billed to customers with payments to standard offer suppliers, M.D.T.E. No. 981-A (MECo) and M.D.T.E. No. 423 (Nantucket). The standard offer service adjustment factor, with the exception of the adjustment to the R-4 rate class, is consistent with the settlement approved by the Department in D.T.E./D.P.U. 96-25, and is allowed. For the R-4 rate class, the Companies must limit the standard offer adjustment factor to provide the rate reductions required by the Act. In allowing the standard offer service adjustment factor to become effective, the Department notes that it may review this reconciliation when the Department conducts an investigation of reconciliations required by the settlement agreement.<sup>(4)</sup>

With respect to the Companies' proposed options to refund an over-recovery that has resulted from the phase-out of the fuel charge, the Department notes that this matter is currently under consideration in another proceeding before the Department, D.T.E. 98-13. Therefore, no action is taken on this issue at this time.

#### B. Decrease the Transition Charge

In D.P.U./D.T.E. 96-25, the Department approved a transition cost adjustment provision, M.D.T.E. No. 978-C (MECo) and M.D.T.E. No. 422-C (Nantucket). The Companies have proposed to decrease the transition charge from \$0.01407 per kWh to \$0.01328 per kWh. The reduction in the transition charge is supported by a reconciliation report that is included in the filing. The reconciliation report reflects the divestiture of substantially all of New England Power Company's ("NEP") non-nuclear generating facilities. Therefore, the reconciliation report contains a reconciliation of

pre- and post-divestiture costs, and a re-estimate of data for the fourth quarter of 1998. The reconciliation report is subject to the dispute resolution procedures of the wholesale settlement agreement approved by the Department in D.T.E./D.P.U. 96-25.<sup>(5)</sup> Subject to the provisions of the wholesale settlement agreement, the Department allows the transition charge reconciliations to become effective. In allowing the transition charge reconciliations to become effective, the Department reserves the right to participate in the dispute resolution process, and to reflect any adjustments to this reconciliation in any subsequent reconciliation proceeding.

#### C. Demand-Side Management and Renewable Energy Charges

The Companies have proposed to decrease the DSM charge from \$0.0033 per kWh to \$0.0031 per kWh and increase the renewable energy charge from \$0.00075 per kWh to \$0.0010 per kWh. These adjustment are consistent with the settlement agreement approved by the Department in D.P.U./D.T.E 96-25 and are pursuant to G.L. c. 25 §§ 19 and 20. Therefore, these adjustment are allowed.

#### D. Transmission Service Adjustment Factor

In D.P.U./D.T.E. 96-25, the Department approved a transmission service cost adjustment provision, M.D.T.E. No. 977-D (MECo) and M.D.T.E. No. 421-B (Nantucket). The Companies have proposed a transmission service adjustment factor which increases the transmission charge from \$0.00404 per kWh to \$0.00641 per kWh. This increase is due to the combined effects of the 1999 projected transmission expense increases and recovery of under-collections for 1998. The proposed transmission service adjustment factor reflects adjustments to NEP's transmission revenue requirement filed pursuant to a settlement of NEP's Tariff No. 9 filed with the Federal Energy Regulatory Commission ("FERC") in Docket No. OA96-74-000. Subject to reconciliation to reflect the disposition of the settlement of NEP's Tariff No. 9, the Department allows the Companies' proposed transmission service adjustment factor to become effective.

### IV. ORDER

Accordingly, after due consideration, it is

ORDERED: That the proposed rate adjustments of Massachusetts Electric Company and Nantucket Electric Company submitted on December 1, 1998 for service on and after January 1, 1999 be and hereby are, subject to the limitations stated, APPROVED, subject to potential further reconciliation; and it is

FURTHER ORDERED: That Massachusetts Electric Company and Nantucket Electric Company shall comply with the directives of this Order.

By Order of the Department,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

1. In addition, the Company has proposed two options to refund an over-recovery that has resulted from the phase-out of the fuel charge. In the first option, the Company would apply the revenue over-recovery from the phase-out of the fuel charge to fund the differences that would otherwise occur between default service and standard offer service and apply the remaining balance to the standard service under-recovery. In the second option, the over-recovery from the fuel charge would be refunded in a separate credit during the first six months of 1999.
2. The Companies' filing, and Notice of the Technical Session and Request for Comments were served on participants to D.P.U./D.T.E. 96-25.
3. Although the Department did not open an investigation, the Attorney General filed a Notice of Intervention and Appearance of Counsel in this matter.
4. Both the Attorney General and the DOER may raise issues regarding this reconciliation at that time.
5. See Wholesale Stipulation and Agreement, § 3.5.